

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005**

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HOUSE BILL 2728*

Short Title: Sales Tax on R&D Equipment.

(Public)

Sponsors: Representative Gibson.

Referred to: Finance.

May 25, 2006

A BILL TO BE ENTITLED
AN ACT TO REDUCE THE TAX ON SALES OF EQUIPMENT USED FOR
RESEARCH AND DEVELOPMENT.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-164.3 is amended by adding a new subdivision to
read:

"(33a) Research and development equipment. – Equipment used by a taxpayer to perform experimental or laboratory activity that has as its ultimate goal one or more of the following:

- a. The development of new manufactured products.
- b. The improvement of existing manufactured products.
- c. The development of new uses for existing manufactured products.
- d. The development or improvement of methods for producing manufactured products.

The term does not include equipment used for testing or inspection for quality control purposes, efficiency surveys, management studies, consumer surveys or other market research, advertising or promotional activities, or research in connection with literacy, historical, or similar projects."

SECTION 2. G.S. 105-164.13 is amended by adding a new subdivision to
read:

"(54) Research and development equipment that is subject to tax under Article 5F of this Chapter."

SECTION 3. G.S. 105-187.51(a) is amended by adding a new subdivision to
read:

"(4) A qualified taxpayer who purchases research and development equipment for storage, use, or consumption in this State. A qualified taxpayer is a taxpayer whose primary business is as a research and

1 development company in the physical, engineering, and life sciences,
2 as defined by NAICS. The term 'NAICS' has the same meaning as
3 defined in G.S. 105-129.2."

4 **SECTION 4.** This act becomes effective July 1, 2006.